

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING
October 23, 2014

Chairman Kate Marshall, State Treasurer, called the meeting of the Board of Trustees of the College Savings Plans of Nevada to order at 10:00 a.m., on Thursday, October 23, 2014. The meeting was held by conference call from the Nevada State Capitol, 101 North Carson Street, Guinn Room, Carson City, Nevada to the Grant Sawyer Building, 555 East Washington Avenue, Suite 5100, Las Vegas, Nevada. Other attendees participated in person or by conference call.

Board members present:

Chairman Kate Marshall – Via teleconference
Jamie Hullman – Carson City
Ned Martin – Las Vegas
Janet Murphy – Carson City
Bob Seale – Carson City

Others present:

Tara Hagan, Senior Deputy Treasurer - North
Sheila Salehian, Senior Deputy Treasurer – South
Linda J. English, GGMS, College Savings Deputy Treasurer
Shane Chesney, Nevada Attorney General's Office
Linda Ruegsegger – Chicago Equity
Curt Mitchell – Chicago Equity
Gordon Wightman – Callan
Eric White, PCA

Roll was taken, and it was determined a quorum was present. Ms. Salehian indicated the meeting had been properly noticed and the agenda was posted in accordance with the Open Meeting Law.

1. Public Comment

There were no public comments in Carson City or Las Vegas.

Chairman Marshall introduced Jamie Hullman and Janet Murphy as the new board members. Chairman Marshall further explained that Ned Martin and Bob Seale have been reappointed to the Board.

Consent Agenda

2. For possible action: Board review and approval of the College Savings Board minutes of September 9, 2014.
3. For possible action: Board review and approval of the 2015 Nevada Prepaid Tuition Program fee schedule.
4. For possible action: Board review and approval of the 2015 Nevada Prepaid Tuition Master Agreement.
5. For possible action: Board review and approval of the BNY Mellon Custody Services agreement.
6. For possible action: Board review and approval of the 2014 Audited Financial Statements for the Putnam 529 for America, Vanguard 529 Plan, SSgA Upromise 529 Plan, and the USAA College Savings Plan, and approve their filing with the Nevada State Controller's Office.
7. For possible action: Board review and approval of the restatement of the Vanguard 529 College Savings Plan Disclosure document.
8. For possible action: Board review and approval of the amendment to the Vanguard Private Label Product Agreement with Ascensus.
9. For possible action: Board review and approval of the FY 2014 actuarial valuation study of the Nevada Higher Education Prepaid Tuition Trust Fund and Prepaid Tuition Program pursuant to NRS 353B.190, and approve their filing with the Nevada State Controller's Office.
10. For possible action: Board review and approval of the agreement with the Pension Consulting Alliance, Inc. which includes investment oversight consulting services for all Nevada college savings programs.

Chairman Marshall pointed out to board members on agenda item #9 that despite what has been going on recently with the financial crisis and increases in tuition rates, that the Prepaid Tuition program is now 126.2% funded.

Chairman Marshall asked if the Board members wished to take items to discuss separately. Hearing none, Chairman Marshall asked if there was a motion to approve the consent items. Bob Seale motioned to approve the consent items. Janet Murphy seconded the motion. The motion passed unanimously.

Discussion Agenda

11. For possible action: Board receipt and approval of a report from Chicago Equity Partners on the investment performance of the Nevada Prepaid Tuition Trust Fund fixed income portfolio.

Linda Ruegsegger and Curt Mitchell from Chicago Equity Partners presented a report regarding the management of fixed income assets invested through the Prepaid Tuition Program. Chicago Equity Partners has been the fixed income portfolio manager since January 2013; however, as of September 30, 2014, Chicago Equity Partners has been underperforming the benchmark by 57 basis points since inception of the separately managed account. Linda Ruegsegger explained that the current underperformance is part of their fixed income investment process. She also informed the board that the current Chief Investment Officer, Mike Millhouse, who currently does strategy and implementation, will be retiring and Curt Mitchell will be replacing him on March 31, 2015.

Curt Mitchell explained that Chicago Equity Partners' goal is to maintain stable portfolios even when the market falls. Their investment process focuses on two things: Sector allocation and security selection; these two contribute to 90% of the returns over time. Mr. Mitchell informed the Board that their investment process works over the long term. The underperformance in 2013 is due to their defensive position in the portfolio. Chairman Marshall asked how Chicago Equity Partners plans to change the underperformance and turn things around. Curt Mitchell responded that they are not going to need another financial crisis for them to do well. He further explained that just in the third quarter they picked up 15 basis points in the third quarter and during October they have gained another 10 or 15 basis points. As credit spreads widen, volatility increases and corporate bonds underperform, and that will provide them with an opportunity to buy much more attractive prices in the future.

Mr. Mitchell mentioned that their long term performance was consistent during the two years they have managed the account. Regarding the bond market outlook, Chicago Equity Partners looks through essentially two different lenses. The first is fundamentals, and the second is valuation. Fundamentals are looked at not just in the U.S., but globally as well, and those are weak right now. If policy is looked at, specifically Federal Reserve policy and quantitative easing, that liquidity "spigot" has been slowly turned off over the course of the last 10 months. In addition, valuations in the credit markets have really been priced to perfection. Mr. Mitchell determined that weak fundamentals, the end of Quantitative Easing, and rich valuations are likely to lead to significant volatility. He believes that Chicago Equity Partners is well positioned to outperform any volatility as well as any risk asset vulnerability.

Mr. Mitchell also pointed out the impact of fed policy on risk assets since the bottom of the financial crisis in 2009. He also asked the question, "Why are interest rates down?"

He said 67 of 67 economists on Bloomberg stated in January 2014 that interest rates would rise in 2014. All turned out to be wrong.

Chairman Marshall asked Curt Mitchell if Chicago Equity Partners was going to be able to meet the benchmark the following year, to which Mr. Mitchell responded that given how they are positioned the portfolio characteristics could be fairly different in a year. They'll be able to not only get the performance back, but it will provide them an opportunity to build some yield in the portfolio. Chairman Marshall asked at this time next year if there is still underperformance compared to the benchmark, that the board should take pause and revisit the investment direction by Chicago Equity. Mr. Mitchell pointed out that they like to be evaluated on a 3 to 5 year market cycle, and if they have not done their job within that time, then the Board should reevaluate Chicago Equity Partners.

Ned Martin asked Curt Mitchell what Chicago Equity Partners is looking at that gives them pause as they look forward economically. Mr. Mitchell responded that they focus on two things; one is more quantitative oriented, and one is more data oriented. Chicago Equity Partners looks at the economic growth year over year rather than looking quarterly and annualizing them. Chicago Equity Partners also looks at the global market and how they are growing.

Mr. Mitchell summarized by saying they are well positioned for an increase in volatility, and to capitalize on it. He also indicated that they fully intend on taking advantage of the volatility by outperforming the market.

Bob Seale pointed out that there will be a new treasurer in January but that the Board will not forget that there needs to be improvement in the performance. Gordon Weightman of Callan stated that this is a high quality portfolio and they have done a good job despite of the underperformance. Chicago Equity Partners was hired for capital protection and that is exactly what they have done.

Net Martin motioned to approve the report from Chicago Equity Partners. Bob Seale seconded the motion. The motion passed unanimously.

12. Staff Notes: Updates on the Nevada state wide, year 2 College Kick Start Program rollout, and other current college saving outreach and education initiatives which Treasurer Office Staff are driving.

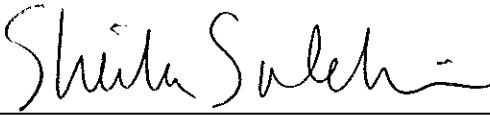
Linda English gave an update on the College Kick Start program. She informed that they are receiving great feedback from educators and families. The accounts attributed to the Kick Start Program are around 530 new accounts. They are in the process of sending out piggy bank kits to schools and mailing out welcome letters to 29,000 kids.

13. Public Comment

There was no public comment in Carson City or Las Vegas.

There was no further business; thus, Chairman Marshall adjourned the meeting at 10:50 a.m.

Attest:

A handwritten signature in cursive script, reading "Sheila Salehian", is written over a horizontal line.

Sheila Salehian, Secretary to the Board